



*Strategic investment and
international spillovers
in natural gas markets*

By R. A. Ritz-EPRG

**Discussion by Anna Creti
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What the paper does



The paper :

- sets an interesting context to model competition between pipelines and LNG suppliers
- underlines strategic effects due to technological differences
- offers good explanations of the actual competition between Russia and Qatar
- suggests testable hypotheses useful for further empirical work

Some questions/remarks

I-General

- « Selling » the story: wouldn't be nicer to explain your empirical motivation, develop the model, and then discussing the relevance for the European context?
 - Try to avoid too many back and forth between theory, practice, numerical examples
- Related literature: a few analytical papers on the role of LNG on competition in the gas industry are overlooked
 - Dorigoni, Graziano, Pontoni EP 2012
 - Hartley, EJ 2015
 - Ikonnikova, Zwart JEEA 2014
 - Li, Joyeux, Ripple, EJ 2014

Some questions/remarks

II-Model Setting

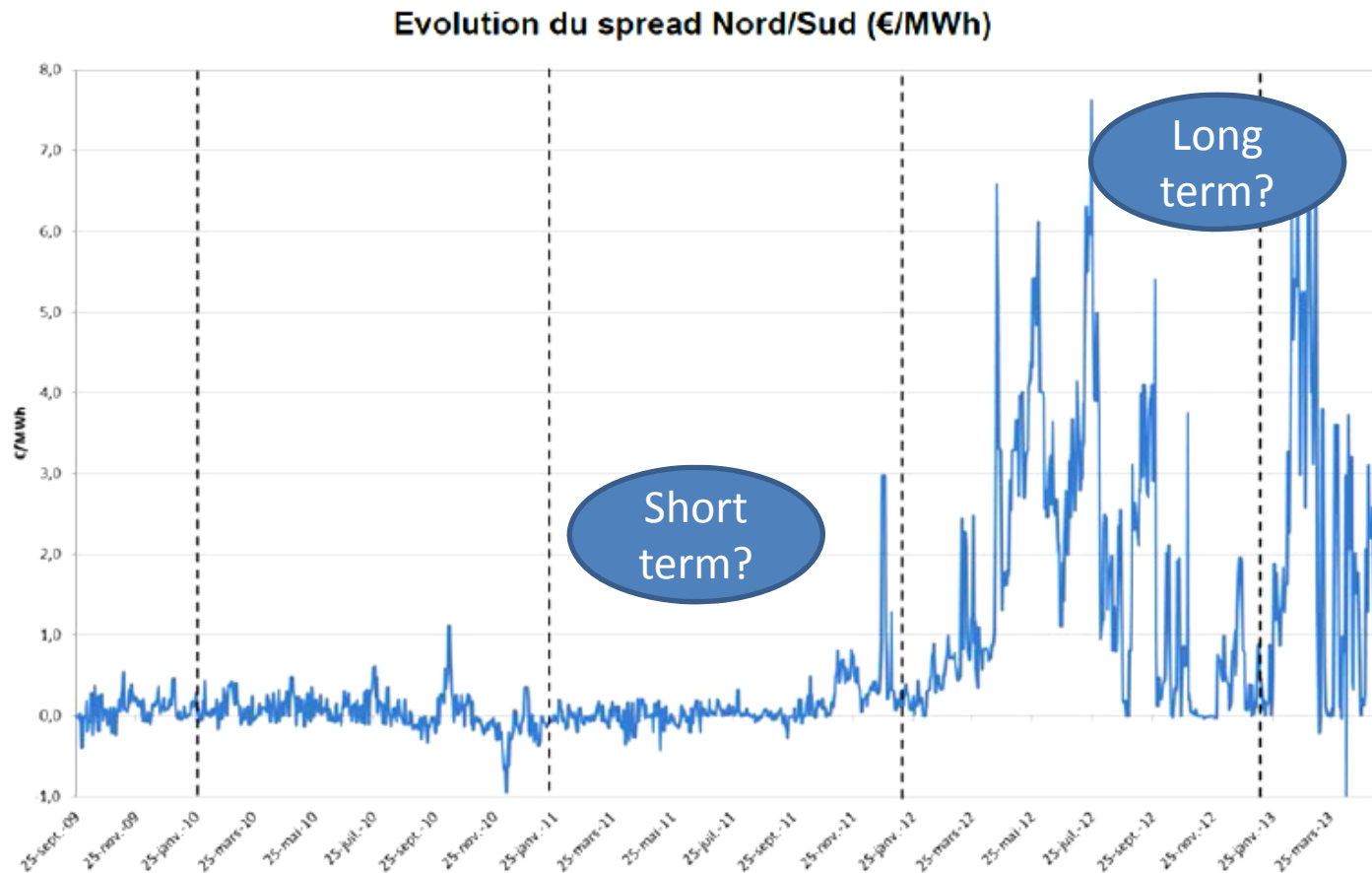
- You stress that you obtain Stackelberg-like advantage despite cost symmetry and simultaneous moves:
 - what if an entry game à la [Fudenberg and Tirole](#) 1983, 1984?
- Which are the differences with respect to your EE paper 2014?
- **Hypotheses:** market « segmentation », both operators capacity constrained.
 - The absence of no-arbitrage can be discussed
 - Role of the spot markets
 - What if only the pipeline is capacity constrained, in particular on the strategic effects of connecting the markets?

Some questions/remarks

III-Results and interpretation

- Counter intuitive result on security of supply: the larger the market share of Gazprom, the safer the gas market
 - deserves more explanation as it goes at the opposite of the diversification « paradigm » of the European energy policy
- Fukushima result (comparative statics): nice result
 - Comparing the substitution effect into the demand side vs the strategic effect in the supply side seems more appropriated than the term « spillover » as there is no free riding/externalities
 - More detailed data/figures would be useful to illustrate this result

Fukushima impact- North/South price spread in France



Source : Powernext. Indices EOD ; analyse : CRE

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***Thank you for this challenging
paper!***